

# INTER-OFFICE MEMORANDUM

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## Office of Accounts and Control

**TO:** Chief Financial Officers **DATE:** February 27, 2004  
**FROM:** Lawrence C. Franklin, Jr., State Controller  
**SUBJECT: BLUE CROSS SETTLEMENT PAYMENT**

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On March 6, 2004, a payment to Blue Cross Blue Shield of Rhode Island for the period January 1, 2002 through June 30, 2003 will be made. Blue Cross invoiced \$11,233,421.00 as a preliminary estimate for employee medical claims experience for the period January 1, 2002 through June 30, 2003 under the terms of the current contract. The state will pay eighty percent (80%) of this total on March 6, 2004. The remainder will be held by the state pending an audit.

The following accounting procedures will take place to record the Blue Cross settlement payment to all agency accounts:

- 1) The Office of Accounts and Control will issue a payment check to Blue Cross for eighty percent (80%) of the total settlement amount via a RI SAIL batch import direct payment (BSDI) document on March 6, 2004. Each agency's **FISCAL YEAR 2004** account(s) will be charged their respective eighty-percent (80%) share.
- 2) The Office of Accounts and Control will charge each agency's **FISCAL YEAR 2004** account(s) for the remaining twenty percent (20%) of the total settlement amount via a RI SAIL Bond Fund Transfer (BSBF) document on March 6, 2004 and post it to a liability ("escrow") account.
- 3) By March 6, 2004, the Office of Accounts and Control will **accrue** 100% of the total preliminary settlement the amount allocated to each agency to **FISCAL YEAR 2003** accounts via an adjustment posted to general ledger with a June 30, 2003 transaction date.
- 4) By March 6, 2004, the Office of Accounts and Control will **reverse** the amount allocated to each agency to **FISCAL YEAR 2003** accounts via an adjustment posted to general ledger with a July 1, 2003 transaction date.
- 5) On March 6, 2004, the Office of Accounts and Control will encumber each agency's **FISCAL YEAR 2004** account(s) for the total preliminary settlement amount budgeted in FISCAL YEAR 2004.

- 6) **IMPORTANT:** The above postings will result in a **FISCAL YEAR 2004** cash disbursement (the 80% payment to Blue Cross), therefore, you should draw funds for those charges posting to federal grant accounts on March 6, 2004.
- 7) **IMPORTANT:** The above postings will result in expenditures be recorded in June 30, 2003, therefore, you should adjust federal grant expenditure reports for whatever federal grant reporting period that include June 2003.

Charging all agency accounts a proportionate share will fund the payment. Each agency's share has been calculated as follows: Using the payroll period #24 for the fiscal year ended June 30, 2003, the **rate** for **individual health insurance coverage** is **multiplied by** the number of **employees with individual health insurance coverage**, and the **rate** for **family health insurance coverage** is **multiplied by** the number of **employees with family health insurance coverage**.

The funds for these charges were previously budgeted in **FISCAL YEAR 2004**. The posting of these charges in **FISCAL YEAR 2003** will result in revised year-end balances for **FISCAL YEAR 2003**. The Office of Accounts and Control will revise the amount of **FISCAL YEAR 2003** re-appropriations.

Appropriations in the Governor's recommended budget for **FISCAL YEAR 2004** would be revised accordingly.

/hh  
CFO:04-26